



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF GATES MILLS  
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
<u>Prepared by Management:</u>	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2019 .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Proprietary Fund Type For the Year Ended December 31, 2019 .....	6
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Fiduciary Fund Type For the Year Ended December 31, 2019 .....	7
Notes to the Financial Statements For the Year Ended December 31, 2019 .....	8
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2018 .....	21
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Proprietary Fund Type For the Year Ended December 31, 2018 .....	22
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Fiduciary Fund Type For the Year Ended December 31, 2018 .....	23
Notes to the Financial Statements For the Year Ended December 31, 2018 .....	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37

**This Page Intentionally Left Blank.**



**INDEPENDENT AUDITOR'S REPORT**

Village of Gates Mills  
Cuyahoga County  
1470 Chagrin River Road  
Gates Mills, Ohio 44040

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Gates Mills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Matters***

During 2018, the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 11, 2022

**This page intentionally left blank.**



**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$2,111,941	\$249,119			\$2,361,060
Municipal Income Tax	1,752,475				1,752,475
Intergovernmental	343,491	223,225			566,716
Special Assessments	24,204				24,204
Charges for Services	118,576	24,732			143,308
Fines, Licenses and Permits	183,380				183,380
Earnings on Investments	150,095	1,857			151,952
Miscellaneous	425,545	129,513		\$14,246	569,304
<i>Total Cash Receipts</i>	<u>5,109,707</u>	<u>628,446</u>		<u>14,246</u>	<u>5,752,399</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	2,031,231	162,533			2,193,764
Public Health Services		669			669
Leisure Time Activities		86,873			86,873
Community Environment		285,536			285,536
Transportation	1,442,582	86,052			1,528,634
General Government	859,419	1,024			860,443
Capital Outlay				598,074	598,074
<i>Total Cash Disbursements</i>	<u>4,333,232</u>	<u>622,687</u>		<u>598,074</u>	<u>5,553,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>776,475</u>	<u>5,759</u>		<u>(583,828)</u>	<u>198,406</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets				2,500	2,500
Transfers In		104,000		580,000	684,000
Transfers Out	(891,500)				(891,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(891,500)</u>	<u>104,000</u>		<u>582,500</u>	<u>(205,000)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(115,025)</u>	<u>109,759</u>		<u>(1,328)</u>	<u>(6,594)</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 13)</i>	<u>4,464,007</u>	<u>114,806</u>	<u>\$2,730</u>	<u>82,506</u>	<u>4,664,049</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		166,628			166,628
Committed		57,937	2,730	81,178	141,845
Assigned	383,905				383,905
Unassigned (Deficit)	3,965,077				3,965,077
<i>Fund Cash Balances, December 31</i>	<u>\$4,348,982</u>	<u>\$224,565</u>	<u>\$2,730</u>	<u>\$81,178</u>	<u>\$4,657,455</u>

*See accompanying notes to the basic financial statements*

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balance (Cash Basis)*  
*All Proprietary Fund Type*  
*For the Year Ended December 31, 2019*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$27,452
<b>Operating Cash Disbursements</b>	
Contractual Services	22,000
Supplies and Materials	192,858
<i>Total Operating Cash Disbursements</i>	214,858
<i>Operating Loss</i>	(187,406)
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	314,699
Principal Retirement	(394,182)
Interest and Other Fiscal Charges	(11,637)
<i>Total Non-Operating Receipts (Disbursements)</i>	(91,120)
<i>Loss before Transfers In</i>	(278,526)
Transfers In	207,500
<i>Net Change in Fund Cash Balances</i>	(71,026)
<i>Fund Cash Balances, January 1</i>	248,503
<i>Fund Cash Balances, December 31</i>	\$177,477
<i>See accompanying notes to the basic financial statements</i>	

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balance (Cash Basis)*  
*All Fiduciary Fund Type*  
*For the Year Ended December 31, 2019*

	Custodial
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	\$26,835
<b>Operating Cash Disbursements</b>	
Contractual Services	40,322
<i>Operating Loss</i>	<i>(13,487)</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	122,491
Miscellaneous	22,171
Capital Outlay	<i>(246,731)</i>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(102,069)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(115,556)</i>
<i>Fund Cash Balances, January 1</i>	<i>205,646</i>
<i>Fund Cash Balances, December 31</i>	<i>\$90,090</i>

*See accompanying notes to the basic financial statements*

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 1 - Reporting Entity**

The Village of Gates Mills, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Village Charter dated November 1972.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The Mayor is the chief conservator of the peace and oversees the enforcement of all laws and ordinances. The Mayor also appoints, with Council approval, all department heads, and together with the Clerk or Treasurer, executes all contracts, conveyances, and evidences of indebtedness of the Village.

Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading.

***Primary Government***

The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: police and fire protection, EMS, recreation, planning, zoning, street maintenance and repair, and general administrative services.

***Jointly Governed Organizations***

The Village participates in jointly governed organizations. These organizations are further described in Note 12 to the financial statements.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***A. Basis of Presentation***

The Village’s financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

***B. Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

**General Fund** – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction, Maintenance, and Repair*** – The street construction, maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway*** – The State Highway Fund accounts for that portion of State-levied gasoline tax and motor vehicle license registration fees restricted for maintenance of a State Highway.

***Police Relief & Pension Fund*** – The Police Relief and Pension Fund accounts for the portion of inside millage along with transfers from the General Fund restricted for the Village’s police pension contribution (currently 19.5%).

***Cemetery Fund*** – The Cemetery Fund accounts for the funds received for the sale of burial lots, and the opening and closing of gravesites to be used for the maintenance of the Village’s two cemeteries.

***Land Conservation*** – The Land Conservation Fund accounts for the 1.0 mill charter levy passed by residents and interest received on the fund. Expenditures include agreements with nonprofit organizations to carry out the public purpose of conservation.

***Purcell Trust*** – Monies received from the Purcell Trust shall be used by the Village, as directed by Council, to pay for any costs associated therewith for beautification of the Village as deemed appropriate.

The other Special Revenue funds of the Village account for and report grants and other resources, whose use is restricted, committed, or assigned to a particular purpose.

**Capital Improvement Fund** – This fund is used to maintain funds received and expensed for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village as deemed necessary by Village Council. Sources of funds include royalties from Village owned gas wells, sale of capital assets, advances and transfers.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are classified as enterprise funds.

**Enterprise Fund**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** – This fund receives cash from loans, fund transfers, assessments and connection (tap-in) charges. Expenditures include construction expenses, operation expenses, and repayment of other obligations entered into by the Village in connection with the water improvement projects.

**Wastewater Fund** – This fund tracks revenues and expenditures related to the wastewater plant. This fund receives cash from grants, loans, fund transfers, and usage fees. Expenditures include all costs related to installing and maintaining the wastewater plant lines and service connections. This includes legal fees, inspection fees, engineering fees, construction costs, administration costs, operating costs and repayment of loans.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Custodial funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's custodial funds account for building bond deposits from various contractors, developers or individuals to ensure compliance with various Village ordinances, the 319 Grant Fund accounts for money from individuals and Ohio EPA 319 grant funds for bank restoration project, and Mayor's Court.

***C. Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

***D. Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

***E. Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The Village purchased 1 Federal Home Loan Mortgage Corporation (FHLMC) instrument, 1 U.S. Treasury and 5 Corporate Bonds which are carried at the principal amount paid when purchased.

***F. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State statute. State statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.



**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,711,553	\$5,109,707	\$398,154
Special Revenue	685,740	732,445	46,705
Capital Projects	605,000	596,746	(8,254)
Enterprise	559,812	549,651	(10,161)
Total	\$6,562,105	\$6,988,549	\$426,444

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,548,500	\$5,224,732	\$323,768
Special Revenue	714,225	622,687	91,538
Capital Projects	654,000	598,074	55,926
Enterprise	628,637	620,677	7,960
Total	\$7,545,362	\$7,066,170	\$479,192

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 4 - Deposits and Investments**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2019
Demand deposits	\$215,760
STAR Ohio	118,142
STAR Ohio Plus	883
Money Market Funds	239,751
U.S. Treasury Notes	200,074
U.S. Federal Agency Notes	1,901,279
Corporate Bonds	2,249,133
Total investments	4,709,262
Total Deposits and Investments	\$4,925,022

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Investments**

The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form by, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 5 - Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 5 – Taxes – (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a 1% municipal income tax (before credit) on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's tax collection agent, the Central Collection Agency, monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

***Workers' Compensation***

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. CompManagement and, subsequently CareWorks, provided administrative, cost control and actuarial services to the GRP.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

**Note 8 - Post-Employment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 4 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 9 - Debt**

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Water Main Installation	\$41,529	0%
OPWC - Sanitary Sewer & WWTP Improvements	<u>38,480</u>	0%
Total	<u><u>\$80,009</u></u>	

The 2001 Ohio Public Works Commission (OPWC) loans relate to the wastewater treatment plant. The OPWC loans are repaid in semi-annual payments over 20 years.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>OPWC Loans Principal</u>
2020	<u>\$60,770</u>
2021	<u>19,239</u>
Total	<u><u>\$80,009</u></u>

**Note 10 - Leases**

The Village has the following lease agreements where they serve as the lessor:

***Gavi's River, LLC***

On July 29, 2015 the Village entered into a Lease Agreement with Gavi's River, LLC for the use of a Village owned building. The Agreement, effective August 1, 2015 through July 31, 2025, had an annual base rental of \$50,988 per year; \$4,249 per month.

***Related Party***

On August 1, 2015, the Village entered into a Lease Agreement for the use of a Village owned residence to allow the Police Chief to be close to Village Hall in an emergency situation. The Agreement, effective August 1, 2015 shall continue throughout the period the current Police Chief is employed by the Village. The Agreement has a base rent of \$700 per month.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 10 – Leases – (Continued)**

***Howard Hanna Smythe Cramer***

On August 15, 2005, the Village entered into a Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer for the use of a Village owned building. The Agreement, effective September 1, 2006 through August 31, 2020, had an annual base rent of \$28,560 per year; \$2,380 per month during the first five years of the lease. The annual base rent would then increase to \$31,416 per year; \$2,618 per month during the sixth through the tenth years of the lease. During the eleventh through the fifteenth years of the lease, the annual base rent would then increase to \$35,224 per year; \$2,935 per month.

On December 9, 2015, the Village amended the Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer to reduce its premises by 200 square feet to be leased instead to Cynthia W. Halle, Inc. Thereby, the annual base rent shall be reduced from \$31,416 per year to \$29,708; \$2,475 per month for the sixth through the tenth years of the lease and for the eleventh through the fifteenth years of the lease the annual base rent shall be reduced from \$35,224 per year to \$32,976; \$2,748 per month.

***Cynthia W. Halle, Inc.***

On January 1, 2016 the Village entered into a Lease Agreement with Cynthia W. Halle, Inc. for the use of a Village building. The Agreement, effective January 1, 2016 through December 31, 2021, has a base rent of \$1,290 per month.

***Robert Anderson Barclay, FAIA Architect, LLC***

On October 25, 2016 the Village entered into a Lease Agreement with Robert Anderson Barclay, FAIA Architect, LLC for the use of a Village building. The Agreement, effective November 1, 2016 through October 31, 2021, has a base rent of \$500 per month. Mr. Barclay passed away in August 2019 and the space was vacant the remainder of 2019.

**Note 11 - Contingent Liabilities**

The Village is party to legal proceedings. Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 12 - Jointly Governed Organization**

***Chagrin Valley Dispatch Council***

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of government formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in the CVD was initially limited to political subdivisions located within the Chagrin Valley. It is currently comprised of 16 communities.

The Chagrin Valley Dispatch Council is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of the CVD is entitled to one vote on each item under consideration by the board. During 2019, the Village contributed \$140,922 to CVD.

***Northeast Ohio Public Energy Council***

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of government formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village made no contributions to NOPEC in 2018. Financial information can be obtained by contacting the Board Chairman at 1615 Clark Avenue, Cleveland, Ohio 44109.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

**Note 12 - Jointly Governed Organization – (Continued)**

***Valley Enforcement Regional Council of Governments***

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers.

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed to the organization \$8,000 in 2019.

**Note 13 – Change in Accounting Principles**

For 2019, the Village made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds. These changes reclassified the Underground Storage Tanks fund balance from the General Fund to the Special Revenue Funds.

The effect of this change restated beginning cash balance in the General Fund from \$4,475,007 to \$4,464,007, and in the in the Special Revenue Fund from \$103,806 to \$114,806.



**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$2,089,753	\$238,246			\$2,327,999
Municipal Income Tax	1,943,886				1,943,886
Intergovernmental	334,914	158,519			493,433
Special Assessments	25,237				25,237
Charges for Services		7,000			7,000
Fines, Licenses and Permits	95,549				95,549
Earnings on Investments	83,568	10,211			93,779
Miscellaneous	387,176	48,861		\$56,532	492,569
<i>Total Cash Receipts</i>	<u>4,960,083</u>	<u>462,837</u>		<u>56,532</u>	<u>5,479,452</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,807,001	146,281			1,953,282
Public Health Services	9,352				9,352
Leisure Time Activities		14,662			14,662
Community Environment		207,403			207,403
Transportation	1,279,256	157,894			1,437,150
General Government	791,082	2,544			793,626
Capital Outlay	291,902	120,022		393,567	805,491
<i>Total Cash Disbursements</i>	<u>4,178,593</u>	<u>648,806</u>		<u>393,567</u>	<u>5,220,966</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>781,490</u>	<u>(185,969)</u>		<u>(337,035)</u>	<u>258,486</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		86,000		375,000	461,000
Transfers Out	(656,000)				(656,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(656,000)</u>	<u>86,000</u>		<u>375,000</u>	<u>(195,000)</u>
<i>Net Change in Fund Cash Balances</i>	125,490	(99,969)		37,965	63,486
<i>Fund Cash Balances, January 1</i>	<u>4,349,517</u>	<u>203,775</u>	<u>\$2,730</u>	<u>44,541</u>	<u>4,600,563</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		97,789			97,789
Committed	11,000	6,017	2,730	82,506	102,253
Assigned	1,048,160				1,048,160
Unassigned (Deficit)	3,415,847				3,415,847
<i>Fund Cash Balances, December 31</i>	<u>\$4,475,007</u>	<u>\$103,806</u>	<u>\$2,730</u>	<u>\$82,506</u>	<u>\$4,664,049</u>

See accompanying notes to the basic financial statements

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balance (Cash Basis)*  
*All Proprietary Fund Type*  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$8,943
<b>Operating Cash Disbursements</b>	
Contractual Services	221,546
<i>Operating Loss</i>	<i>(212,603)</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	341,812
Principal Retirement	(377,989)
Interest and Other Fiscal Charges	(22,703)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(58,880)</i>
<i>Loss before Transfers</i>	<i>(271,483)</i>
Transfers In	195,000
<i>Net Change in Fund Cash Balances</i>	<i>(76,483)</i>
<i>Fund Cash Balances, January 1</i>	<i>324,986</i>
<i>Fund Cash Balances, December 31</i>	<i>\$248,503</i>
<i>See accompanying notes to the basic financial statements</i>	

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balance (Cash Basis)*  
*All Fiduciary Fund Type*  
*For the Year Ended December 31, 2018*

	Agency
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	\$26,311
Miscellaneous	139,832
	166,143
<b>Operating Cash Disbursements</b>	
Contractual Services	63,180
Other	45,241
	108,421
<i>Operating Loss</i>	57,722
<b>Non-Operating Receipts</b>	
Intergovernmental	66,281
<i>Net Change in Fund Cash Balances</i>	124,003
<i>Fund Cash Balances, January 1</i>	81,643
<i>Fund Cash Balances, December 31</i>	\$205,646

*See accompanying notes to the basic financial statements*

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 1 - Reporting Entity**

The Village of Gates Mills, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Village Charter dated November 1972.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The Mayor is the chief conservator of the peace and oversees the enforcement of all laws and ordinances. The Mayor also appoints, with Council approval, all department heads, and together with the Clerk or Treasurer, executes all contracts, conveyances, and evidences of indebtedness of the Village.

Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading.

***Primary Government***

The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: police and fire protection, EMS, recreation, planning, zoning, street maintenance and repair, and general administrative services.

***Jointly Governed Organizations***

The Village participates in jointly governed organizations. These organizations are further described in Note 12 to the financial statements.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***A. Basis of Presentation***

The Village’s financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

**General Fund** – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**Street Construction, Maintenance, and Repair** – The street construction, maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**State Highway** – The State Highway Fund accounts for that portion of State-levied gasoline tax and motor vehicle license registration fees restricted for maintenance of a State Highway.

**Police Relief & Pension Fund** – The Police Relief and Pension Fund accounts for the portion of inside millage along with transfers from the General Fund restricted for the Village’s police pension contribution (currently 19.5%).

**Cemetery Fund** – The Cemetery Fund accounts for the funds received for the sale of burial lots, and the opening and closing of gravesites to be used for the maintenance of the Village’s two cemeteries.

**Land Conservation** – The Land Conservation Fund accounts for the 1.0 mill charter levy passed by residents and interest received on the fund. Expenditures include agreements with nonprofit organizations to carry out the public purpose of conservation.

**Purcell Trust** – Monies received from the Purcell Trust shall be used by the Village, as directed by Council, to pay for any costs associated therewith for beautification of the Village as deemed appropriate. The other Special Revenue funds of the Village account for and report grants and other resources, whose use is restricted, committed, or assigned to a particular purpose.

The other Special Revenue funds of the Village account for and report grants and other resources, whose use is restricted, committed, or assigned to a particular purpose.

**Capital Improvement Fund** – This fund is used to maintain funds received and expensed for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village as deemed necessary by Village Council. Sources of funds include royalties from Village owned gas wells, sale of capital assets, advances and transfers.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are classified as enterprise funds.

**Enterprise Fund**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** – This fund receives cash from loans, fund transfers, assessments and connection (tap-in) charges. Expenditures include construction expenses, operation expenses, and repayment of other obligations entered into by the Village in connection with the water improvement projects.

**Wastewater Fund** – This fund tracks revenues and expenditures related to the wastewater plant. This fund receives cash from grants, loans, fund transfers, and usage fees. Expenditures include all costs related to installing and maintaining the wastewater plant lines and service connections. This includes legal fees, inspection fees, engineering fees, construction costs, administration costs, operating costs and repayment of loans.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for building bond deposits from various contractors, developers or individuals to ensure compliance with various Village ordinances, the 319 Grant Fund accounts for money from individuals and Ohio EPA 319 grant funds for bank restoration project, and Mayor's Court.

***C. Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

***D. Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

***E. Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The Village purchased 1 Federal Home Loan Mortgage Corporation (FHLMC) instrument, 1 U.S. Treasury and 5 Corporate Bonds which are carried at the principal amount paid when purchased.

***F. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State statute. State statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.



**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,419,461	\$4,960,083	\$540,622
Special Revenue	570,512	548,837	(21,675)
Capital Projects	385,000	431,532	46,532
Enterprise	515,500	545,755	30,255
Total	\$5,890,473	\$6,486,207	\$595,734

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,115,000	\$5,363,306	(\$248,306)
Special Revenue	665,449	683,537	(18,088)
Capital Projects	420,000	394,817	25,183
Enterprise	650,000	1,005,388	(355,388)
Total	\$6,850,449	\$7,447,048	(\$596,599)

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 4 - Deposits and Investments**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	<u>2018</u>
Demand deposits	<u>\$424,141</u>
STAR Ohio	6,226
STAR Ohio Plus	150,179
Money Market Funds	78,331
U.S. Federal Agency Notes	2,363,790
Corporate Bonds	<u>2,095,530</u>
Total investments	<u>4,694,056</u>
Total Deposits and Investments	<u><u>\$5,118,197</u></u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Investments**

The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form by, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 5 - Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 5 – Taxes – (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a 1% municipal income tax (before credit) on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's tax collection agent, the Central Collection Agency, monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

***Workers' Compensation***

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. CompManagement and, subsequently CareWorks, provided administrative, cost control and actuarial services to the GRP.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

**Note 8 - Post-Employment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 4 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 9 - Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$291,889	5.86%
OPWC - Water Main Installation	124,582	0%
OPWC - Sanitary Sewer & WWTP Improvements	<u>57,720</u>	0%
Total	<u>\$474,191</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water expansion project. The 2001 Ohio Public Works Commission (OPWC) loans were for the wastewater treatment plant. The OWDA and OPWC loans are repaid in semi-annual payments over 20 years. The OWDA loans are collateralized by assessments.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending</u> <u>December 31:</u>	<u>OWDA Loan</u>		<u>OPWC</u> <u>Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2019	<u>\$291,889</u>	<u>\$11,637</u>	<u>\$102,293</u>
2020			60,770
2021			19,239
Total	<u>\$291,889</u>	<u>\$11,637</u>	<u>\$182,302</u>

**Note 10 - Leases**

The Village has the following lease agreements where they serve as the lessor:

***Gavi's River, LLC***

On July 29, 2015 the Village entered into a Lease Agreement with Gavi's River, LLC for the use of a Village owned building. The Agreement, effective August 1, 2015 through July 31, 2025, had an annual base rental of \$50,988 per year; \$4,249 per month.

***Related Party***

On August 1, 2015, the Village entered into a Lease Agreement for the use of a Village owned residence to allow the Police Chief to be close to Village Hall in an emergency situation. The Agreement, effective August 1, 2015 shall continue throughout the period the current Police Chief is employed by the Village. The Agreement has a base rent of \$700 per month.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 10 – Leases – (Continued)**

***Howard Hanna Smythe Cramer***

On August 15, 2005, the Village entered into a Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer for the use of a Village owned building. The Agreement, effective September 1, 2006 through August 31, 2020, had an annual base rent of \$28,560 per year; \$2,380 per month during the first five years of the lease. The annual base rent would then increase to \$31,416 per year; \$2,618 per month during the sixth through the tenth years of the lease. During the eleventh through the fifteenth years of the lease, the annual base rent would then increase to \$35,224 per year; \$2,935 per month.

On December 9, 2015, the Village amended the Lease Agreement with Smythe Cramer Co., d.b.a. Howard Hanna Smythe Cramer to reduce its premises by 200 square feet to be leased instead to Cynthia W. Halle, Inc. Thereby, the annual base rent shall be reduced from \$31,416 per year to \$29,708; \$2,475 per month for the sixth through the tenth years of the lease and for the eleventh through the fifteenth years of the lease the annual base rent shall be reduced from \$35,224 per year to \$32,976; \$2,748 per month.

***Cynthia W. Halle, Inc.***

On January 1, 2016 the Village entered into a Lease Agreement with Cynthia W. Halle, Inc. for the use of a Village building. The Agreement, effective January 1, 2016 through December 31, 2021, has a base rent of \$1,290 per month.

***Robert Anderson Barclay, FAIA Architect, LLC***

On October 25, 2016 the Village entered into a Lease Agreement with Robert Anderson Barclay, FAIA Architect, LLC for the use of a Village building. The Agreement, effective November 1, 2016 through October 31, 2021, has a base rent of \$500 per month.

**Note 11 - Contingent Liabilities**

The Village is party to legal proceedings. Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 12 - Jointly Governed Organization**

***Chagrin Valley Dispatch Council***

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of government formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in the CVD was initially limited to political subdivisions located within the Chagrin Valley. It is currently comprised of 16 communities.

It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of the CVD is entitled to one vote on each item under consideration by the board. During 2018, the Village contributed \$139,313 to CVD.

***Northeast Ohio Public Energy Council***

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of government formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village made no contributions to NOPEC in 2018. Financial information can be obtained by contacting the Board Chairman at 1615 Clark Avenue, Cleveland, Ohio 44109.

**Village of Gates Mills, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Note 12 - Jointly Governed Organization – (Continued)**

***Valley Enforcement Regional Council of Governments***

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers.

VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed to the organization \$8,000 in 2018.



# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Gates Mills  
Cuyahoga County  
1470 Chagrin River Road  
Gates Mills, Ohio 44040

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Gates Mills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated February 11, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 11, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF GATES MILLS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 3/10/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)